



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

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REGULAR BOARD MEETING

January 26, 2005

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on January 26, 2005.

Board Members Present:

Kelly Fox, Chair
Doug Cochran
Michael Edwards
Pat Hepler
Mark Johnston
Maureen Morris
Doug Pendergrass

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Suzanne Shaw, Assistant Attorney General
Tim Valencia, Senior Research Policy Manager

Guests:

Wolfgang Opitz, Deputy Director - Office of Financial Management

Board Members Not Present:

Jack Simington, Vice Chair
David Moseley
Senator Linda Evans Parlette
Representative Geoff Simpson

Kelly Fox, Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:38 a.m. The Board took a moment of silence to remember Mark Noble, a fire fighter from Olympia who died of duty-related cancer on January 15, 2005.

1) January 6, 2005 Special Board Meeting Minutes

It was moved that the January 6, 2005 Board meeting minutes be adopted with a modification to agenda item #2, which should state:

David Moseley and Maureen Morris voted against the motion because they felt we could afford one or the other, but not both. Seconded.

MOTION CARRIED UNANIMOUSLY

2) Duty Disability Off-Sets – Initial Consideration, Steve Nelsen

Steve Nelsen, Executive Director, presented an Initial Consideration to the Board concerning Duty Disability Off-Sets. Mr. Nelsen provided the Board with a letter from the Office of the State Actuary concerning *LEOFF Plan 2 Board Disability Proposals-Summary*. The letter provided several examples and stated the increase in contribution rates for each off-set option. Mr. Nelsen also provided the Board with *Examples of Disability Pension Cost-Saving Provisions*. The examples included Off-Sets, Income Test, and Conversion to Service Retirement. Mr. Nelsen and staff will continue to conduct research and bring back further information to an upcoming Board meeting.

3) Administrative Update – Steve Nelsen

Legislative Session Update

Mr. Nelsen provided a legislative update to the Board and reviewed the LEOFF Plan 2 Retirement Board bills, as well as bills of interest from the Select Committee on Pension Policy. Mr. Nelsen repeated that there currently are no hearings scheduled for the bills, but the following LEOFF Plan 2 Retirement Board bills have been introduced:

HB 1269/SB 5616- Purchase of Service Credit

HB 1270/SB 5617- Post-LEOFF 2 Employment

HB 1271/SB 5615- Duty Disability Allowance

HB 1325/SB 5261- Interruptive Military Service

Quarterly Budget Update

Mr. Nelsen provided the Board with the *November 2004 Monthly Budget Reports*. Due to a time constraint, Mr. Nelsen will be discussing the quarterly budget update in further detail at the February 23, 2005 Board meeting. However, he did report that the Board is currently under budget.

Newsletter

The LEOFF Plan 2 Retirement Board newsletter is near completion and will be distributed to the LEOFF membership and employers toward the end of February.

Department of Retirement Systems

Member Annual Statement

Mr. Nelsen updated the Board on the status of the Member Annual Statement and said that the Board staff is still working with the Department of Retirement Systems' to create an estimate that will reflect the proposed changes and improvements.

Memo of Understanding

Steve Nelsen gave an update on the Memo of Understanding between the LEOFF Plan 2 Retirement Board and the Department of Retirement Systems (DRS). Mr. Nelsen stated that the draft agreement has been sent to DRS and staff is waiting for a follow-up meeting at this time.

4) Pension Funding Proposals – Wolfgang Opitz, Deputy Director

Wolfgang Opitz, Deputy Director with the Office of Financial Management, presented the Board with a handout that provided several *Pension Contribution Change Options*. Mr. Opitz explained that pension systems are currently based on the aggregate funding method. Mr. Opitz also explained that if the current funding method is left unadjusted it will drive up costs by \$413 million in the 2005-07 General Fund. The following were options that Mr. Opitz provided and explained as pension contribution change options:

- Technical Change
- Use Projected Unit Credit Method
- Phase in Rate Increase over Four Years
- Defer Contributions to Plan 1 Unfunded Liabilities and;
- Gain Sharing

The next regularly scheduled Board meeting is February 23, 2005 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 11:29 a.m.